UNITED
NATIONS

DP

Governing Council
of the
United Nations
Development Programme

Distr.
GENERAL

DP/CP/CAY/3
18 December 1992

ORIGINAL: ENGLISH

Special session
16-19 February 1993, New York
Item 5 (a) of the provisional agenda

PROGRAMME PLANNING

Country and intercountry programmes and projects

THIRD COUNTRY PROGRAMME FOR THE CAYMAN ISLANDS

Programme period	Resources	$
1993-1996	Net IPF	145 000
	Estimated cost-sharing	1 294 000
	Total	1 439 000

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I. DEVELOPMENT SITUATION, OBJECTIVES AND STRATEGIES

A. Current socio-economic situation

1. After achieving robust growth rates of more than 10 per cent during the past 10 years, there was a significant decline in the economy of the Cayman Islands in 1991. This resulted from sluggish performance in the two principal economic sectors, tourism and financial services. The slowdown in economic activity and a sharp fall to a 5.3 per cent in the growth rate in 1991 have served to intensify public policy debate on strategies to broaden the country's economic base, given that the two dominant service industries are particularly vulnerable to external trends.

2. The enviable earlier record of economic progress yielded increased personal incomes, allowing the population to enjoy a reasonably high standard of living. Access to health services is considered adequate, with 8 health professionals per 1,000 persons. Life expectancy at birth is 77.1 years, education is compulsory for students of both genders from ages 5 to 16 and the teacher-pupil ratio is 1:14.

3. The factors that contributed to vigorous economic growth also revealed several structural imbalances associated with a small island economy with a limited natural resource endowment and heavy dependence on international trade specialization in tourism and financial services. Among the persistent constraints are the unavailability of a pool of skilled local labour to meet the demands of the labour market; pressure on the main road network and port facilities to meet the demands of economic growth; and incipient signs of environmental degradation associated with the mining of marl and other materials for the construction industry. Inflation, linked to high labour costs and ever-increasing import levels, averages 6.2 per cent. Public debt is under 5 per cent of gross domestic product (GDP). The trade deficit, which was $201 million in 1987, increased by 33 per cent in three years, reaching $266 million in 1989. With current demand patterns, this trend is likely to continue. The country therefore relies on so-called invisible export earnings from tourism and offshore banking, which help stabilize the overall balance on the external current account.

4. The three islands of Grand Cayman, Cayman Brac and Little Cayman have a combined population of 25,400, with a labour force of 15,486 and an unemployment rate of 6 per cent. Grand Cayman provides jobs for 94 per cent of those persons employed; only 6 per cent of employment is located in the two sister islands. As a group, those who leave school between the ages of 16 and 19 constitute 21 per cent of the unemployed. Another notable employment trend is the declining proportion of Caymanians in the workforce and the increased reliance on skilled expatriate workers. Current demographic projections suggest that only 39 per cent of the population will be Caymanian by the year 2000.

B. National development objectives and strategies

5. Continued structural imbalance of the economy has prompted a reappraisal of the role of Government, with its traditional concentration on investments in infrastructure designed to facilitate higher levels of economic growth and on the provision of health, education and other social services. The Government intends to be more active in national economic planning and management in order to steer private sector-led development more effectively, thereby securing a sustained pattern of growth. The development strategies therefore focus on improved economic management, reorganization of public services and more effective implementation of sectoral plans.

6. Fiscal management will be improved to promote efficient public spending and to halt the trend towards an even greater imbalance between revenue and expenditure. Existing arrangements such as the Budget Preparation Guidelines, the Public Sector Investment Committee and the Debt Management and Recording System are to be integrated into an effective fiscal management system.

7. The technical and managerial capacity of public services will be upgraded to facilitate effective management through improved programme management techniques, resulting in higher productivity, and a consequential reduction of expenditure in the civil service.

8. Sectoral plans have been completed for such priority sectors as education, manpower planning, health, agriculture and tourism. The education system will be reorganized to ensure an adequate supply of trained local manpower. The Government will also establish an integrated system for manpower training and development to include such crucial components as labour market information, an apprenticeship scheme, vocational training and a summer internship programme. The new emphasis on commercial agriculture is part of a long-term strategy of economic diversification aimed at lessening the dependence on tourism and offshore financial services.

II. EXTERNAL COOPERATION

A. Role of external cooperation

9. Because of their status as a dependency of the United Kingdom, and their relatively high per capita income, the Cayman Islands do not attract substantial external grant assistance. Development needs must therefore be met from internally generated funds and soft loans from such sources as the Caribbean Development Bank (CDB) and the Economic Development Fund (EDF) of the European Economic Community (EEC). Capital expenditures programmed for the 1992-1994 period amount to $61 million, of which 85 per cent will be internally generated funds.

10. Multilateral technical cooperation has been provided in the area of finance and management. Specifically, the CDB has provided training in project management and project preparation to support the work of the Public Sector Investment Committee. The Commonwealth Fund for Technical Cooperation

(CFTC) has provided technical cooperation for the establishment of an external public debt recording and management system.

11. Within the United Nations system, the Pan American Health Organization (PAHO) has provided short-term training, while other United Nations agencies, namely the United Nations Centre for Human Settlements (UNCHS), the International Civil Aviation Organization (ICAO), the United Nations Educational, Scientific and Cultural Organization (UNESCO) and the United Nations Department of Economic and Social Development (UNDESD), have been responsible for administering fellowships funded from country programme resources. UNDP has provided support for human resources development, public sector management, fiscal management and sectoral planning.

B. Aid coordination arrangements

12. The Department of Finance and Development is the UNDP focal point for technical cooperation and for external capital flows. In response to the suggestion of UNDP, the Government has agreed that the Economic Development Unit in the Department of Finance and Development will take a central role in the review of technical cooperation projects on the basis of their contribution to national development goals.

13. UNDP will assist in integrating inputs provided by other donors and the Government into a systematic programme framework. Such an opportunity exists in current initiatives in education, human resources development in the civil service and in the creation of a manpower planning and development system. Capital investment, which requires high levels of technical expertise for conducting feasibility studies, preparing other technical studies and reviewing bids, is planned. UNDP, with its access to a wide variety of technical skills within the United Nations system and through such programmes as the United Nations International Short-Term Advisory Resources (UNISTAR) and technical cooperation among developing countries (TCDC), will continue to identify the expertise needed to ensure the sound investment of resources for capital projects. Efforts will also be made to involve the Government of the Cayman Islands in regional and subregional activities, particularly in the areas of the environment, public sector reform and the management of natural disasters.

III. THE COUNTRY PROGRAMME

A. Assessment of ongoing country programme

14. In response to the need for skilled workers to support an expanding service-oriented economy, the second country programme focused on human resources development. Fellowships and in-service training accounted for approximately 83 per cent of programme resources. The mid-term review confirmed the generally positive impact of this training on the beneficiary institutions. As an illustration, a sustained programme of training for Caymanian fire-fighters has enabled the fire department to function

effectively in providing good quality service, while reducing dependency on expatriates. However, spreading individual fellowships over numerous sectors reduced the developmental impact of the programme. This consideration, and the fact that the Government competently administers its own fellowship programme, resulted in the decision to shift the remaining resources to support critical aspects of public policy formulation and implementation. The new orientation was effected through the Public Sector Performance Improvement Project which addressed: the reorganization of the public service; a review of the education sector, which culminated in the preparation of an education plan; and the socio-economic and demographic statistics project, which developed a macroeconomic database in support of economic planning.

15. Eight of the thirteen projects were agency-executed, involving UNDESD, ICAO, UNCHS and UNESCO in the administration of fellowships, provision of technical advice and equipment procurement for civil aviation, broadcasting and the water sector. The national execution modality was used towards the end of the country programme period and concentrated on in-house training and provision of technical expertise, mainly for determination of sectoral policy options.

16. Clear challenges exist for building national capacity for macroeconomic planning. The Government intends to meet these challenges by integrating budgeting and development planning, incorporating physical planning and social data into national and sectoral plans and introducing effective project management systems, including capacity-building for national execution.

B. Proposals for UNDP cooperation

1. The preparatory process

17. The process leading to the preparation of the third country programme involved consultations throughout 1991 between UNDP and government department heads and other staff. These discussions, and the findings of the mid-term review, were invaluable in defining major development issues for technical cooperation which could play a catalytic role in human resources development. The final round of discussions took place at the end of 1991, when the UNDP advisory note was discussed and areas of concentration were confirmed.

2. Strategy for UNDP cooperation

18. It is recognized that relatively high per capita income over the past 10 years should enable the Government, in future, to finance a larger share of its technical cooperation requirements. In anticipation of this change and in recognition of the need to continue the partnership with UNDP, the Government has allocated programme cost-sharing resources twice the size of the indicative planning figure (IPF) and proposes more active involvement of UNDP in policy formulation and implementation.

19. In the absence of a national development plan and consensus on institutional arrangements for promoting improved economic planning and management, the Government has already undertaken policy reviews of the major sectors. At the same time, steps have been taken to improve fiscal management to ensure that priorities are established which can be justified in the context of an overall economic framework. The proposed strategy for UNDP cooperation supports the groundwork laid by these sector reviews and initiatives in fiscal management.

20. UNDP is the most active multilateral agency, and the Government intends to make full use of its role in aid coordination and its comparative advantage in accessing a broad range of high-level technical expertise at reasonable cost and devising multisectoral approaches to development problems. The third country programme will support the Government's effort to consolidate the discrete technical cooperation inputs from various multilateral agencies into a comprehensive and coherent programme framework that will strengthen the planning process. The programme will also enable the Government to select and implement the most feasible options prescribed in selected sectoral plans and studies and improve the technical and managerial capability of the public sector in support of the overall development process.

3. Proposed UNDP cooperation in selected areas of concentration

National development objectives and programmes requiring UNDP cooperation

21. Economic planning and management. The Government intends to play a more active role in economic planning and management through the introduction of policy measures to tackle imbalances and weaknesses in the economy. At the macroeconomic level this is to be realized through the improvement of fiscal administration. Efforts will be made to ensure that such institutional mechanisms as the Budget Preparation Guidelines, the Debt Management and Recording System and the Public Sector Investment Committee become fully functional aspects of public expenditure management. Strong economic growth has resulted in a corresponding increase in the demand for public resources. Such mechanisms as the Public Sector Investment Committee will serve to allocate resources for capital projects in a cost-effective manner. Priority is being given to the development and implementation of sectoral plans in agriculture, education and manpower planning.

22. Human resources development. The Government intends to find appropriate and creative solutions to the current inadequacy of skilled national personnel, particularly in the managerial, administrative and technical categories, which has been a major constraint in further economic expansion. The heavy dependence on expatriates to service the economy will be reduced by the implementation of national programmes. These programmes will involve extensive training in the civil service.

Proposed UNDP cooperation

23. In the area of fiscal administration, preparatory assistance in the amount of $20,000 will be provided for a review of economic planning and management arrangements and for the development of a comprehensive programme to integrate existing components and identify new inputs. Within this programme, two mutually reinforcing projects for the development of integrated databases will be implemented. The existing socio-economic and demographic data collection project will be extended at a cost of $103,304. This project focuses on the development of a sustainable capacity within the Statistics Office for the collection, analysis and publication of data required for planning purposes. A new information technology project for the establishment of a central database in support of economic, social and physical planning will further strengthen the Economic Development Unit. Technical expertise, equipment and related training will be provided in the amount of $150,000 for the identification of crucial information areas and the design of systems for easy access to information sources, such as the proposed Labour Market Information System.

24. Support will continue to be provided to follow-up interventions in the education sector, with specific focus on the establishment of a unit to implement the Five-Year Education Plan. In addition to providing management services, UNDP support will include short-term consultancies in such areas as curriculum development, education planning, evaluation and research, preschool and adult education, performance appraisal, teachers' compensation and an information management system for student profiles. The estimated cost of the project is $802,000, to be funded jointly by the Government and UNDP.

25. Assistance for implementation of other sectoral plans will be provided through a Technical Advisory Project. The sum of $120,000 will meet the costs of short-term studies in agriculture, social services and manpower planning, as detailed below.

26. In agriculture, the Government has already invested $5 million in the development of a programme for the provision of technical, marketing and infrastructural support to farmers. Under the Technical Advisory Project, consultancy services will be utilized to devise a strategy to promote cottage industries in agro-processing and provide training in new processing technologies and marketing. Successful implementation of the programme will lead to an increase in employment, particularly for older women in outlying districts.

27. In social services, a study will be conducted on the status of women and children. The study will be the first systematic effort to assess the impact of the rapid pace of economic development on the local population. It will serve to identify appropriate policy responses to emergent social issues and provide relevant social data to be incorporated in plans for infrastructural development and other interventions in the social sector.

28. In manpower planning, the work carried out by the Economic Development Unit on the design of a manpower planning development system will be reviewed

and technical inputs provided for putting the systems into operation. This will enable the Government to analyse more effectively labour market demand and devise appropriate training programmes, in collaboration with the private sector.

29. In the area of civil service training, UNDP will provide continued support through a multidisciplinary training project estimated at $358,700, which will be utilized for technical, supervisory and managerial training. A contribution of $50,000 will be made for a human resources development programme to strengthen the Government's capability to deliver cost-effective in-house training. In providing such assistance, UNDP will take account of the experience of the previous Public Sector Performance Improvement Project.

Expected results and impact

30. The proposed components of the two major areas of concentration, namely economic planning and management and human resources development represent two thirds of the estimated programme resources. The components dealing with fiscal administration, development of integrated databases, education planning and delivery and the development of cottage industries all provide varying emphases on human resource development, public sector management, women in development and grass-roots participation in development. The results accomplished as a consequence of these interventions will be demonstrated in three distinct ways. First, the Government will be able to chart new macroeconomic policy directions. Second, the reinvigorated sectoral policies, together with the envisaged skills-upgrading programmes, will contribute directly to improved national resource management and higher standards of quality and reliability in social services. Third, effective implementation of sectoral plans, together with improved manpower planning systems, will contribute to the achievement of the Government's human resources development objectives.

Complementary assistance

31. In the area of fiscal administration, the CFTC continues to provide assistance in debt recording and management, while the CDB provides training in project analysis and budgeting. These are the discrete but related components which will be incorporated in the programme following review of the existing economic and planning arrangements. With regard to the socio-economic and demographic data collection project, it is expected that the United Nations Population Fund (UNFPA) will contribute $30,000 to defray costs related to the labour force survey and the International Labour Organisation (ILO) will provide technical support for implementing the project, which was formulated by the United Nations Statistical Office, through assistance from the National Household Survey Capability Programme.

32. Civil service training is also being supported separately by PAHO, CFTC, the United States Civil Aviation Authority, the Caribbean Meteorological Institute and the CDB. UNDP-supported interventions will be coordinated with these agencies.

C. Assistance outside of the main country programme areas

33. UNDP will continue to support the Government's effort to preserve the culture of its people and will again provide direct support for cultural development, including promotion of the newly created Cayman Museum as a self-supporting and revenue-generating tourist attraction. This support is estimated at $40,000.

D. Implementation and management arrangements

34. Interventions in the two areas of concentration will be designed to support the Government's major policy emphasis on improved economic management. The focus will be placed on national capacity-building, and therefore the preferred modality will be national execution. Efforts will be made to strengthen the role of the Economic Development Unit as the focal point for monitoring project implementation and for specifying and overseeing the arrangements for financial administration of nationally executed projects. United Nations agencies will provide services for technical reviews and will implement selected components of the proposed multidisciplinary training project. The TCDC modality will be used whenever feasible, particularly for museum development and financial management. UNISTAR is a source of expertise which will be fully exploited for assistance in agriculture, social services and manpower planning.

ANNEX I

FINANCIAL SUMMARY

I. ESTIMATED RESOURCES (IPF + cost-sharing) TAKEN INTO ACCOUNT FOR PROGRAMMING

	(Thousands of dollars)	
Carry-over from fourth cycle IPF	(107)	
Fifth cycle IPF	385	
Estimated 1992 expenditure	(133)	
Subtotal IPF	145	
Project cost-sharing (Government)	544	
Project cost-sharing (third-party)		
Programme cost-sharing	750	
Subtotal cost-sharing		1 294
TOTAL		1 439

II. ALLOCATION OF RESOURCES (IPF + cost-sharing) BY AREA OF CONCENTRATION

Area of concentration	Thousands of dollars IPF	Cost-sharing	Total	Percentage of total resources
Economic planning and management	68	953	1 021	71
Human resources development	48	312	360	25
Other	-	29	29	2
Subtotal	116	1 294	1 410	98
Unprogrammed reserve	29	-	29	2
TOTAL	145	1 294	1 439	100

III. COMPLEMENTARY ASSISTANCE FROM OTHER SOURCES USED IN AREAS OF CONCENTRATION

A. UNDP-administered funds	Thousands of dollars
SPR	-
UNCDF	-
UNSO	-
UNIFEM	-
UNRFNRE	-
UNFSTD	-
Global Environment Facility (GEF)	-
Subtotal	-
B. Other United Nations resources	
JCGP participating agencies	
UNFPA	30 000
UNICEF	-
WFP	-
IFAD	-
Other United Nations agencies (non-UNDP financed)	-
Subtotal	30 000
Total non-core and other United Nations resources	30 000
C. Non-United Nations resources	
TOTAL	30 000

Annex II

PROGRAMME MATRIX

Area of focus a/

Area of concentration	Poverty eradication and grass-roots participation	Environment and natural resource management	Management development	TCDC	Transfer and adaptation of technology	WID
I. ECONOMIC PLANNING AND MANAGEMENT						
Fiscal administration						
Project Cycle Management			*	*		
Integrated database for economic planning			*		*	
Implementation of sectoral plans						
Educational planning and management			*			
Agricultural sector studies and strategy formulation	*					*
Social services studies and strategy formulation			*			*
Manpower planning			*			
II. HUMAN RESOURCES DEVELOPMENT						
Institutional capacity for public sector training			*			
Technical, supervisory and management training			*			

a/ Asterisk indicates major linkage only.